

Memorandum

To : CHAIR AND MEMBERS
Airspace Advisory Committee

Date : March 17, 1997

File No. : AIRSPACE
03-SAC-051-04

From : DEPARTMENT OF TRANSPORTATION

Subject : Approval of Terms and Conditions - Inter-Modal Transit Partners and Buzz Oates Enterprises

RECOMMENDATION:

It is recommended that the Airspace Advisory Committee (AAC) consider and recommend to the California Transportation Commission (CTC) that it approve terms and conditions of an airspace lease on the above referenced parcel with Inter-Modal Transit Partners and Buzz Oates Enterprises. It is in the best interest of the State to lease by direct negotiations and not bid this publicly to optimize rental income by leasing to adjacent owners. The Airspace parcel will be improved by the proposed lessees, and the lease will compliment development on a nearby parcel.

BACKGROUND:

On November 14, 1995, the AAC approved entering into direct negotiations with Inter-Modal Transit Partners and Buzz Oates Enterprises on this property. Proposed terms and conditions were presented to the AAC at your meetings on January 8th and 21st, 1997, with draft changes mailed for comment on March 3, 1997.

The subject property contains 121,495 net square feet and is located beneath and adjacent to the Capital City Freeway viaduct, west of 30th Street, east of 29th Street, south of R Street and north of S Street in the midtown area of the City of Sacramento.

The parcel is currently vacant and has been included in the District 03 bid offerings for the last four years. There were no meaningful proposals received from this exposure. The proposed lessees indicated their interest at each of the last two bid offerings and submitted proposals for terms longer than those offered. The AAC previously approved terms for a lease/option on this parcel with one of the proposed lessees on August 7, 1990. On May 14, 1991, the State sent a letter to the proposed lessee stating that it did not appear to be in the State's best interest to finalize the lease/option due to seismic retrofit concerns and a changing market.

One of the proposed lessees developed a multi-story office building adjacent to the east of the subject known as Farmers Market III. They have plans to build another office building Farmers Market IV (FMIV) northeast of the subject and propose to improve the subject parcel for surface parking with provisions to build a parking structure at a later date, if needed, to provide off-site parking for potential additional office development to the east and west of the subject.

PROPOSED TERMS AND CONDITIONS:

The terms and conditions contained in this proposal are intended to meet the requests of the AAC from earlier meetings.

Agreement has been reached with Inter-Modal Transit Partners and Buzz Oates Enterprises based on the following terms:

- | | |
|----------------------|--|
| Option: | \$10,000 per year for 2 years. \$30,000 for the third year, if necessary. Payments are due lump sum at beginning of year(s). No prorations or credit if exercised early. |
| Term: | 55 years. |
| Area: | 121,495 square feet. |
| Use: | Parking. |
| Consideration: | \$10,000 per month for initial one year of lease. Then \$13,500 per month. |
| Rate of Return: | 9.7% 1st year of lease, 13% starting in year 2 of lease. |
| Adjustments to rent: | <ol style="list-style-type: none">1. Ground rent will be adjusted every 5 years and will be indexed to the greater of (1) the percentage increase in the office rents from the lessee's proposed office building as compared to the initial base office rents, versus, (2) the percentage increase in the Consumer Price Index with a floor of 1 % per year and a ceiling of 3 % per year.2. If the parcel is ultimately developed with a parking structure, rent will be reduced at the start of construction by 50 % for a period not to exceed 12 months or the period of construction, whichever is shorter. The base rent will then be reinstated and increased by \$5,000 per month for the |

balance of the lease term. The rent will be subject to the adjustment noted in (1) above, and any subsequent reevaluations. If the multi-level structure is developed after the 15th year, a formal reevaluation would occur taking into consideration the additional parking capacity and current fair market value at the time of the reevaluation. The rent established through any reevaluation process would then also be subject to #1 above. In addition the lease also includes provisions for reevaluation of rent at years 30 and 45 of the lease term.

3. Prior to construction of any parking structure improvements under the freeway, a project report for these improvements will be approved by Caltrans. This is to comply with Department's seismic policy for structures under freeways.

ANALYSIS:

It is in the State's best interest to lease this parcel to the proposed lessees to achieve the highest and best use and the greatest return to the State. Approval is hereby requested.


SCOTT ATKINS
Airspace Functional Manager
Right of Way Program

Attachments

AIRSPACE APPRAISAL SUMMARY

Location of Property and Area Description:

This parcel is located on the periphery of the "Old City" section in the southeasterly portion of Central Sacramento. The neighborhood is comprised of a combination of uses. The immediate area, however, is primarily business offices.

Property Description:

The subject property by Assessor's map contains 134,944 s.f. and is the block bounded by R and S Streets and 29th and 30th Streets. The net usable portion is estimated as 121,495 s.f. The site is vacant and enclosed with chain link fencing. Road approaches are located at each of the four corners. Approximately 50% of the parcel is encumbered by Highway 51 (formerly I-80) viaduct. Vertical clearance ranges from 22 feet to 26 feet. The bridge piers physically occupy 825± s.f.

Improvements:

Minor landscaping, chip and oil seal surface as well as perimeter fencing which do not contribute to value.

Zoning:

This parcel is designated "TC" Transportation Corridor by Sacramento City zoning ordinance. Any proposed use, however, must ultimately comply with the development standards as set forth by the Alhambra Corridor Special Planned Development and Design Guidelines.

Highest and Best Use:

Development for parking in conjunction with an adjoining office development.

Estimated Value and Date of Value:

The estimated value based on the Palmer Groth & Petka Report dated April 26, 1996, and amended September 10, 1996, is \$1,234,000.

Basis for Estimated Land Value:

The value of the subject as an independent parking lot was estimated using a Residual Analysis of a proforma parking lot. The plottage value was then estimated utilizing an Economic Analysis of "Before and After" models to establish the maximum amount that a developer would be willing to invest in the land necessary to construct an off-site parking facility in support of an office building project. This is in essence, a value derived from a feasibility analysis.

Information Regarding the Appraised Value of the Parcel:

The parcel was appraised by the firm of Palmer, Groth & Petka with offices in Portland, Sacramento, Seattle, Bellevue, Tacoma, and Vancouver. The firm has extensive experience in appraising commercial and industrial properties. The appraiser who prepared the original report is certified by the State of California and a Member of the Appraisal Institute (MAI) candidate. The appendage to the original report (which was requested by Caltrans) more fully addressed the plottage issue and was prepared by the principal of the Sacramento office who is a MAI and Certified General Real Estate Appraiser.

Memorandum

To: CHAIR AND MEMBERS
Airspace Advisory Committee

Date: March 28, 2001

File: AIRSPACE
NR-SAC-051-0004

From: DEPARTMENT OF TRANSPORTATION
Division of Right of Way
Airspace

Subject: Request to Amend the Lease Terms for a Option to Lease for a Directly Negotiated Lease with Ravel Properties for Parking on a 121,495 \pm Square Foot Parcel Located Beneath the Fort Sutter Viaduct of Highway 51 in Sacramento

RECOMMENDATION:

It is requested that the Airspace Advisory Committee (AAC) recommend approval to the California Transportation Commission (CTC) of a request to amend the lease terms for an existing Option to Lease.

SUMMARY

The subject is located beneath and adjacent to the Fort Sutter Viaduct of State Route 51 in Sacramento. The city block is 121,495 \pm square feet and is bounded on the east by 30th Street, on the west by 29th Street, on the south by S street and on the north by a Regional Transit Light Rail Station.

Caltrans entered into a three-year option beginning June 20, 1997 and obtained a one-year extension last year. The current option expires on June 19, 2001. The Optionee has paid \$100,000 in option fees.

The Optionees propose to develop a multi-story office building northeast of the subject known as Farmers Market IV. Caltrans, through the Department of General Services, has been negotiating with the developer for additional office space. There are three existing multi-story office buildings to the east and northeast of the subject parcel known as Farmers Market I, II, and III that are occupied by Caltrans. The subject parcel would provide parking for the proposed Farmers Market IV development. The proposed lease has not been finalized yet due to the inability to secure the necessary approvals from the Department of Finance, but Caltrans is still pursuing the lease.

The existing office complex's parking is located on an airspace parcel directly to the south of the subject. This two-story parking facility has reached capacity and no longer is able to satisfy daily or hourly parking which has caused a shortage of available parking in the vicinity. Caltrans users and tenants of an adjacent office building are pleading to obtain additional parking and have

inquired in regards to the development schedule of the subject parcel.

Airspace Advisory Committee

March 28, 2001

Page 2

The Optionee has indicated a willingness to exercise their option to lease and develop a parking facility, without securing the Caltrans commitment to lease their proposed office building, but have requested a modification of lease terms until the new office development is built and occupied (see enclosed letter.)

The Optionee would develop the unimproved site to surface parking, including an inter-modal bus transfer element (the subject parcel is bounded on the north by an existing light rail station) at a cost of approximately \$750,000 (see enclosed plans and proforma/cost budget.)

The amended lease terms would reduce the rent to \$30,000 per year against 100% of the net income until a new office building is constructed and occupied. The Optionee controls vacant parcels suitable for office on both the easterly and westerly side of the subject airspace parcel. When a building is constructed on either parcel, the existing approved lease terms would be reinstated (see enclosed March 17, 1997 AAC submittal.)

Another possible scenario that is currently being discussed is the placement of modular office trailers while construction occurs on the proposed office building. Under this scenario, a portion of the subject parcel would be encumbered by modulars and the balance of the parcel would supply parking. Once the building is ready for occupancy, the modulars would be removed and the parcel would be fully developed into parking. If this scenario occurs, the rent would escalate to 50% of the lease terms previously approved by the AAC/CTC with full reinstatement at occupancy of the adjacent building.

The highest and best use for this parcel continues to be plottage to the adjacent developer-owned parcels. Although independent development is feasible, due to the costs of the needed improvements and lack of income to generate profits to a developer, the lease rent would be significantly lower if the parcel was put out to bid for parking use. The "plottage" value will eventually be realized once another adjacent building is constructed but in the meantime an underutilized parcel will be improved while satisfying Caltrans and neighborhood immediate needs and allowing for Caltrans or another state agency's future needs.

This proposed amendment is still believed to represent a fair market return to the State and it is in the State's best interest to lease this parcel to the proposed lessees to achieve the highest return to the State.

PETER SCHULTZE

Senior Right of Way Agent

Airspace Program
Division of Right of Way

Enclosure

EXISTING LIGHT RAIL STATION

EXISTING SIDEWALK

EXIST. LIGHT RAIL
HANDICAP RAMP

'R' STREET

BUS PASSENGER LOADING / UNLOADING PLATFORM

LANDSCAPE

CROSSING GATE
ARMS

TYPICAL STANDARD STALL (8' x 16')

PROPOSED SURFACE PARKING LOT
± 263 PARKING STALLS (TOTAL)

TYPICAL ELEVATED
FREEWAY SUPPORT

TYPICAL COMPACT STALL (7.5' x 16')

DASHED LINE INDICATES
ELEVATED FREEWAY ABOVE

BUS PASSENGER LOADING / UNLOADING PLATFORM

AUXILIARY DRIVE

29th STREET

ONE WAY STREET

30th STREET

ONE WAY STREET

EXISTING FARMERS MARKET I
(Office)

TRAFFIC CONTROL
SPIKES

ONE WAY EXIT →

ONE WAY ENTRANCE →

TRAFFIC GATE

EXISTING SIDEWALK TYP.

'S' STREET

PROPOSED SURFACE PARKING LOT



Mach 22, 2001

Mr. Pete Schultze
Senior Right of Way Agent
Airspace Program Manager
CalTrans Headquarters
Right of Way Dept - Airspace
1120 N Street, Room 50100
Sacramento, CA 95814

RE: Airrights Parking Lease

Dear Pete:

In accordance with our recent conversation regarding exercising our option to sign the lease with (Airspace) CalTrans for the space under the freeway located between 28th, 30th, R and S Streets in Sacramento, we respectfully would like to propose the following.

Upon approval on the April 11, 2001 Airspace Board Meeting, in accordance with the following terms, our partnership INTER-MODUL TRANSIT PARTNERS, a California General Partnership will sign the Airspace Ground Lease.

Our partnership will commence all architectural drawings and will complete all the improvements within nine (9) months of lease execution to make this a fully functioning parking facility, including an Inter-Modul Transit Station for Regional Transit. The cost for all improvements will be \$750,870 (please see the enclosed cost analysis).

In addition, our partnership will guarantee CalTrans the higher of \$30,000 per year or 100% of our net income derived from the operation of this site as a parking facility. A proforma and estimated operating statement is also enclosed. (Net income is defined as all proceeds collected over and above the operational costs. In addition, there will be no overhead charged in the operation of this parking facility and is reflective in these numbers).

The lease terms and conditions as set forth in the new lease we will be signing will trigger or go into full effect upon occupancy of the building we have defined as Farmers IV, which we have resumed dialogue with CalTrans to lease approximately 125,000 square feet.

Pete, in summation, our partnership entered into an option agreement with "Airspace" to provide parking for the FM IV building that has been designed and allocated for CalTrans.

The process of obtaining the CalTrans clearance to lease the fourth building (FM IV) has taken more time than expected, by all parties.

Mr. Pete Schultze

March 22, 2001

Page 2

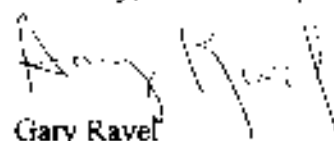
We are encouraged, however, based on a recent meeting with the Deputy Director of CalTrans that the transaction to lease our building is moving forward but currently are unable to pay the full amount of the lease, as that value only equates to the parking lot being integral to a completed building, with the new building subsidizing any offsets from the "Airspace" ground lease at the full lease amount.

To date, our partnership, INTER-MODUL TRANSIT PARTNERS has paid \$100,000 in option money to "Airspace" and are prepared to invest \$750,000 additional dollars to develop the parking lot including the Inter-Modul Transfer Station within the next nine (9) months.

We have been diligent and look forward to a long term relationship with "Airspace."

Thank you

Sincerely,

A handwritten signature in dark ink, appearing to read "Gary Ravel", written over a horizontal line.

Gary Ravel
General Partner

Enclosures

Incl Schultze airtels

Cal Trans Parking Lot Development Proforma and Estimated Operating Statement

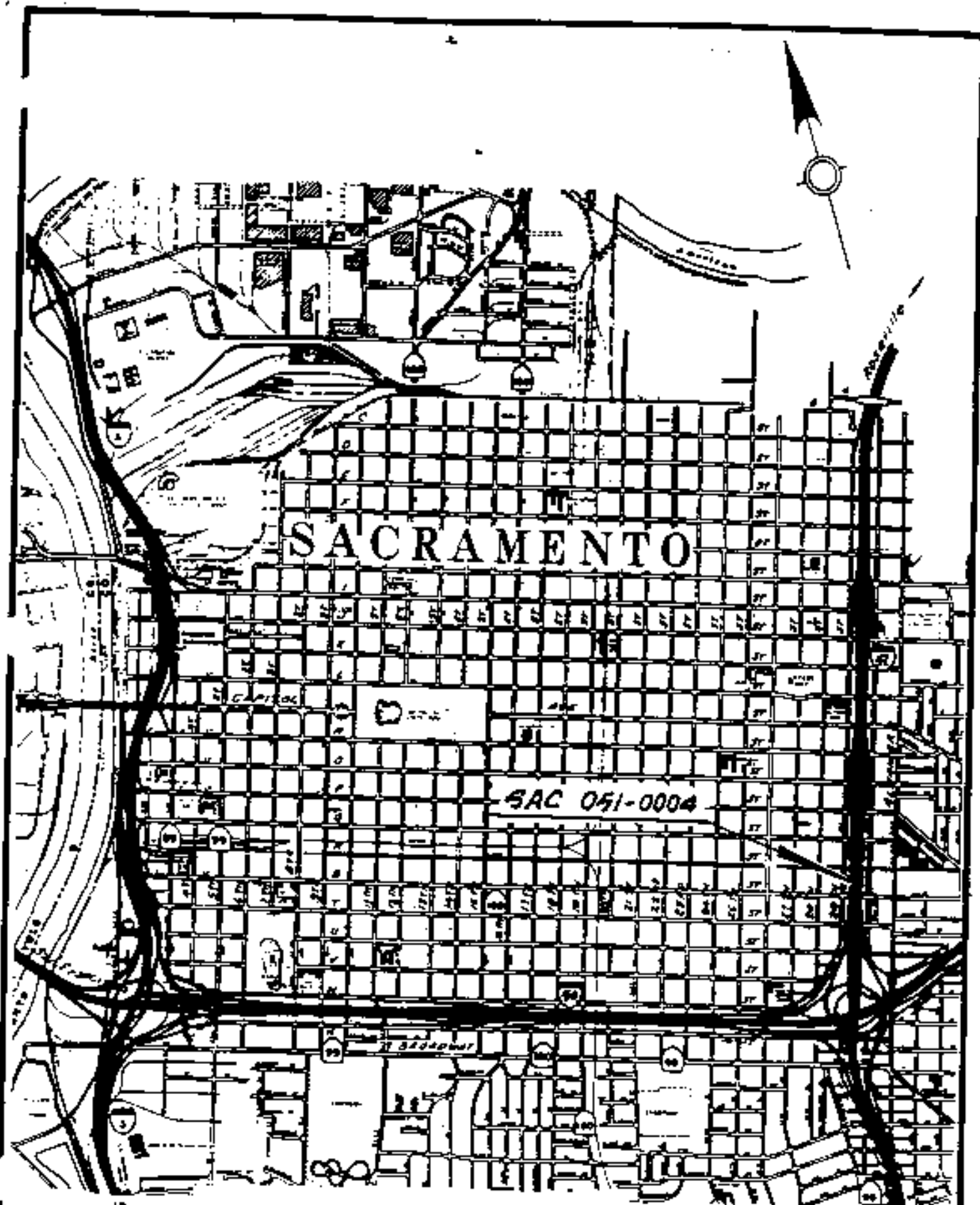
Development Cost Budget (Approx 102,000 sf Site)

	<u>Costs</u>
General Contractor Hard Costs	
Demolition	\$ 19,800
Clear & Grubb	\$ 8,000
Underground (storm drain)	\$ 41,600
Grading & Paving	\$ 198,000
Concrete Curbs/ Sidewalks	\$ 68,000
Wrought Iron Fencing	\$ 32,000
Landscaping	\$ 60,150
Ticketing Machines & Motorized Gates	\$ 24,000
Electrical Lighting & Power	\$ 84,320
General Conditions/Overhead & Profit	\$ 92,000
Total Hard Costs	\$ 625,870
 Soft Costs	
Architectural and Engineering	\$ 38,500
Construction Bond	\$ 10,000
Legal and Accounting	\$ 4,000
Financing Fees	\$ 10,000
Construction Interest (4 to 5 months)	\$ 20,000
Permits and Fees	\$ 17,500
Contingency	\$ 25,000
Total Soft Costs	\$ 125,000
 Total Development Costs	 \$ 750,870

Cal Trans Parking Lot Development Proforma and Estimated Operating Statement

Cal Trans Parking Lot Proforma Economics

	Annual	Per Space
Maximum Potential Parking Income		
263 Spaces @ \$50 Each	\$ 157,800	\$ 600.00
State (Cal Trans) Employees pay monthly parking costs		
Parking Lot Operational Expenses		
Electricity	\$ 9,000	\$ 34.22
City Sewer & Water	\$ 4,200	\$ 15.97
Landscaping	\$ 7,200	\$ 27.38
General Maintenance	\$ 5,400	\$ 20.53
Part-time Employee	\$ 15,600	\$ 59.32
Administrative Overhead	\$ 4,800	\$ 18.25
Property Taxes	\$ 10,000	\$ 38.02
Subtotal Parking Expenses	\$ 56,200	\$ 213.69
Parking Improvement Costs		
Amortization of improvements \$7831 per month	\$ 93,972	\$ 357.31
\$750,000 Total hard and soft costs (9.5% for 15 years)		
CalTrans Ground Rent	\$ 30,000	\$ 114.07
Total Parking Costs	\$ 180,172	\$ 1.594
Net Total Parking Income	\$ (22,372)	\$ (0.198)



(FLA 80-21)

SAC 051-0004

PAR. NO.

